

Indiana House of Representatives

News and Information

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REP. TINY ADAMS' STATEHOUSE REPORT

As the first month of the 2005 session of the Indiana General Assembly draws to a close, it is a perfect time to review what has taken place at the Statehouse to this point.

January began with our new governor, Mitch Daniels, taking office and Republicans taking control of both the Indiana House and Senate. While these results are not what I would have liked, bipartisan cooperation has helped us enact many positive laws in the past, and I hope that we can continue to work together.

On January 18, the governor outlined his priorities in the State of the State speech. That speech focused on economic, budget and education issues, and many of his proposals have raised questions.

The governor said he would freeze funding for schools at current levels. A freeze fails to recognize the ongoing costs of operation that all schools face on a regular basis, such as utilities and insurance, which forces local officials to find local means to fund those increases. The only alternatives would be to either raise local taxes or cut programs and staff and consider increased class sizes.

Another troubling proposal would be eliminating minimum funding guarantees for schools. If this plan takes effect, present estimates are that 244 of the state's 293 school corporations would lose state support. The governor said he would cap the amount of money that the state provides to local governments in property tax relief, another move that could force local property tax increases. The administration also has announced plans to limit spending on health care for the elderly and disabled through the Medicaid program.

Perhaps the most interesting plan proposed by the governor calls for helping eliminate a deficit in the biennial state budget by enacting a temporary income tax increase for individuals, families and small business owners making more than \$100,000 a year.

It will be interesting to see how a tax increase will be handled by a Legislature containing a number of lawmakers who have signed pledges to vote against any and all efforts to raise taxes. House and Senate leaders say we can balance the state budget without tax increases, and I intend to hold them to their word.

Perhaps the most disappointing part of the speech, however, was the generally negative attitude the governor took toward the condition of our state. While Indiana continues to feel the effects of the national recession, I believe we are on our way back...and sooner than Gov. Daniels seems to think.

Thanks to bipartisan educational reforms like ISTEP and the A-plus program and the hard work of dedicated public servants like state Superintendent of Public Instruction Suellen Reed, we are seeing improvements in performance in our classrooms.

We are seeing the impact of both tax restructuring and the Energize Indiana job creation and retention program, bipartisan initiatives that have become law over the past few years. Economists now are predicting drops in the state's unemployment rate, as well as growth in personal income. Indiana's business climate ranks as the best in this section of the country, and among the best in the entire U.S.

Because of these improvements, revenues are on the upswing, and our state treasury is benefitting from it. Our combined reserve balances have increased by 10 times, and our budget deficit has gone down.

We are not out of the woods by any means, but things are improving. Indiana is on the road to recovery, and I do not believe we need to increase taxes and cut funds for schools. It will be the governor's challenge to make us believe that we have to raise taxes and cut school funding.

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House members already have taken action on several measures impacting economic development.

Representatives have approved House Bill 1003, which streamlines the operation of the Indiana Economic Development Corporation that will lead our state's efforts to create and retain jobs. The governor will lead the corporation, and it will begin operations in a timelier fashion.

We were able to make changes to this bill that will provide more public accountability, ensure a bipartisan approach to economic development, and make sure the group follows state ethics guidelines. I am also concerned that HB 1003 gives the corporation the power to award tax abatements and other breaks that could raise local property taxes. Bringing more jobs to Indiana is important, but I do not want to add to the existing burdens of homeowners and other taxpayers.

House Bill 1182 makes the state's Tax Increment Financing (TIF) program permanent. Without action, the program would have gone out of existence at the end of this year.

The TIF program enables local units of government to create special districts in order to attract new economic development. Within these districts, incentives are provided to attract new businesses. Infrastructure improvements such as streets and sewers are completed at little or no cost to those companies located in the districts. Any new tax revenues generated as a result of the new development are used to pay for improvements within the district. They are not used to pay for other entities, such as schools.

I would have liked to have seen House Bill 1182 contain some way for state and local officials to determine the effectiveness of the TIF program. There was an effort to provide some accountability by asking for regular reports that detailed the numbers of jobs created in TIF districts and the impact lost property tax proceeds has had on school corporations in those areas. The House majority voted against that proposal.

House members have approved several other bills that I want to note.

House Bill 1083 extends the life of the state's earned income tax credit that benefits individuals and families on lower and fixed incomes. Created by the Legislature in 1999, this credit is considered a valuable tool in helping move people from welfare to work. The late President Ronald Reagan called this credit one of the greatest incentives for a person to work that has ever been created.

House Bill 1004 would create an 8-week amnesty for delinquent taxpayers to pay back taxes without any interest, penalties or prosecution. It is estimated that the state could collect as much as \$270 million through this grace period, although most experts believe it will be more in the \$100-\$150 million range.

I voted against House Bill 1004 because it rewards those corporations and people who have failed to pay their taxes. Millions of Indiana taxpayers – individuals, families and businesses – have recognized their obligations to fund our schools, public safety and health care and paid their taxes every year. In fact, many have paid more than their fair share to make up for the tax burdens ignored by others. By passing this legislation, we are telling those honest taxpayers that they were wrong to be so responsible.

On a final note, I was disappointed to see that one of our governor's first actions was getting rid of protections that enabled more than 25,000 state employees to negotiate wages and other benefits. Gov. Daniels eliminated a collective bargaining system started by former Gov. Evan Bayh that has worked successfully for the past 16 years.

I am worried that the governor's decision will remove the opportunities of these working men and women to get a fair salary, insurance and health care benefits, and give them little recourse if they are unfairly disciplined or let go.

I welcome all comments from you on issues before the Legislature and state government. If you want to speak to me, you can call the toll-free Statehouse telephone number of 1-800-382-9842, e-mail me through my Internet Web site at www.IN.gov/H34 or write to me in care of the Indiana House of Representatives, 200 W. Washington St., Indianapolis, IN 46204.